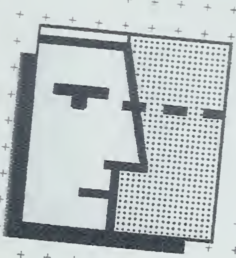
WANG



Managing 100 Percent of Business Information

4

Wang Laboratories, Inc.

Year End
Report to Shareholders
for the period ended
June 30, 1989

To Our Stockholders:

As detailed in the accompanying financial statement, for the fourth fiscal quarter ended June 30, 1989, Wang Laboratories incurred a net loss of $375 million which includes pre-tax restructuring charges of $234 million and a one-time tax provision of $30 million.

The restructuring program was enacted after a detailed analysis of the Company's operations and our product strategy, and reflects our belief that we can capitalize on the strong lead we have built in integrated image technology.

Wang Laboratories has significantly reduced its worldwide overhead costs and its manufacturing capacity to a level more consistent with expected hardware demand. Additionally, the Company has written down the value of certain assets not associated with our key markets. We enter fiscal year 1990 with annualized costs and expenses reduced by more than $200 million compared to fiscal year 1989.

For the quarter, the net loss was $374.7 million, or $2.29 per share, compared to earnings of $13.4 million, or $.08 per share in last year's fourth quarter. Revenues were $783.7 million, compared to $822.8 million in last year's fourth quarter. Revenues for the year amounted to $3,026.9 million, compared to $3,068.4 million in fiscal 1988. Net loss for the year was $424.3 million, or $2.59 per share compared to net income of $92.7 million, or $.56 per share, in fiscal 1988.

Operating results for the quarter were impacted by weak domestic demand, margin pressure on desk-top products, and the impact of the strengthening U.S. dollar on international revenues. Domestic revenues declined 5% compared to last year's fourth quarter. International revenues also declined 5% measured in U.S. dollars but would have increased 3% had currencies remained constant.

The restructuring costs of $234 million include the costs of employee severance packages, costs associated with the realignment of its U.S. sales, service and administrative support structures, plant reduction and disposition costs, and adjustments of the asset carrying values of business activities outside the Company's newly defined core businesses — financial services, government, manufacturing, and professional services. Asset write-downs include amounts associated with the Company's PBX and information services businesses, as well as assets used in maintenance of older products.

The Company has reduced its worldwide work force by more than 10 percent, from 31,516 at June 30, 1988 to approximately 28,300 at June 30, 1989. Further reductions in the work force during the first half of fiscal 1990 will result from the completion of restructuring initiatives. The Company is continuing to strengthen its research and development, sales, and service and support functions, by selected hiring and by reallocating employees within the organization to these critical functions.

Wang Laboratories will consolidate its worldwide manufacturing operations by September 30. The Company plans to sell its manufacturing facility in Stirling, Scotland, which currently employs approximately 240 people. The operations will be combined into its larger plant at Limerick, Ireland, which manufactures the entire line of Wang products. Wang also will reduce employment at its factory in Juncos, Puerto Rico, from 500 people at present to approximately 125 people.

Condensed Statement of Consolidated Earnings — Subject to year-end audit

	Quarter Ended June 30,		Year Ended June 30,	
(Dollar amounts in millions except per share data)	1989	1988	1989	1988
Revenue	**$ 783.7**	$ 822.8	**$3,026.9**	$3,068.4
Costs and expenses	**878.4**	806.3	**3,157.2**	2,949.7
Restructuring charges	**234.0**		**234.0**	
Earnings (loss) before income taxes	**(328.7)**	16.5	**(364.3)**	118.7
Provision for income taxes	**46.0** [1]	3.1	**60.0** [1]	26.0
Net earnings (loss)	**$ (374.7)**	$ 13.4	**$ (424.3)**	$ 92.7
Net earnings (loss) per Class B and Class C Common share	**$(2.29)**	$.08	**$(2.59)**	$.56
Average shares outstanding (000's)	**163,770**	165,717	**163,593**	165,740

[1] Includes a provision of $30 million for withholding tax on distribution of accumulated earnings of foreign subsidiary.

Condensed Consolidated Balance Sheet

(Dollar amounts in millions)	June 30, 1989	June 30, 1988
Current assets	**$1,305.7**	$1,177.6
Service parts and rental equipment	**270.1**	391.0
Property, plant and equipment, net	**758.1**	782.7
Other assets	**415.8**	486.7
Total assets	**$2,749.7**	$2,838.0
Current liabilities	**$ 991.1**	$ 709.2
Long-term debt	**622.9**	537.1
Deferred income taxes	**4.9**	5.6
Total liabilities	**1,618.9**	1,251.9
Stockholders' equity	**1,130.9**	1,586.1
Total liabilities and stockholders' equity	**$2,749.7**	$2,838.0

In addition to the pre-tax restructuring charges, the Company incurred a withholding tax liability of $30 million on the repatriation of accumulated earnings of its Taiwan manufacturing subsidiary.

The total of the restructuring charges has caused the Company's tangible net worth to fall below the level currently required by its revolving credit agreements. The Company has received waivers of such non-compliance through August 10, 1989 from its bank lenders, and is continuing to negotiate an amendment of its revolving credit agreements. Wang has also engaged The Lodestar Group and Salomon Brothers as financial advisors.

In view of the Company's current losses, the Board of Directors has voted not to declare a quarterly dividend for the first quarter of fiscal 1990, but intends to consider an annual dividend policy as soon as operating performance permits.

Fiscal 1989 was a difficult and disappointing year. Growth in the traditional minicomputer marketplace continues to decline. Accordingly, Wang has streamlined its operations to focus on its four key vertical markets and on the horizontal market for integrated image systems.

For Fiscal 1990, the Company has prepared itself to meet uncertain economic times and difficult industry conditions with significantly reduced expenses and a more focused and conservative business plan. In addition, a robust schedule of new product introductions is planned, and the Company's major geographic business unit, U.S. operations, has been reorganized to improve performance. These efforts are designed to enable the Company to return to profitability in Fiscal 1990.

An Wang

Dr. An Wang

Federick A. Wang

July 31, 1989

WANG ADVANCES OPEN IMAGE ARCHITECTURE

June 6, 1989, Wang unveiled its OPEN/image architecture, advancing a standard framework for document image processing on personal computers (PCs), minicomputers, and mainframes.

With OPEN/image architecture, Wang intends to drive the de facto standard in the imaging marketplace by defining the managing, indexing, storing, and distributing of images independent of the applications, the computer and communications environment, or storage media.

Integrated imaging is a response to a powerful demand, the need for organizations to manage the 95 percent of business information that today is paper based. Experience shows the greatest returns on investment result from the automation of the unautomated. Before imaging, that meant data and text. But that's no longer good enough. Taking images and working with them in concert with data processing and office automation unlocks the door to a new, higher level of business productivity.

Wang's customers are asking for products that adhere to present or emerging industry standards, to protect existing investments in hardware and software, and integrate applications across multivendor hardware and networking systems.

OPEN/image-Windows, the first of the OPEN/image product line meets those criteria. OPEN/image-Windows is a software development toolkit that extends integrated imaging to million of PCs. OPEN/image-Windows adds imaging capabilities to applications operating within the Microsoft® (MS) Windows environment on industry-standard PCs and PC local area networks (LANs).